

SOVEREIGN GRACE MINISTRIES, INC.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2011 AND 2010

Sovereign Grace Ministries, Inc.

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Independent Auditor's Report

Board of Directors
Sovereign Grace Ministries, Inc.
Gaithersburg, Maryland

We have audited the accompanying Statements of Financial Position of **Sovereign Grace Ministries, Inc.** as of August 31, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of **Sovereign Grace Ministries, Inc.'s** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Sovereign Grace Ministries, Inc.'s** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sovereign Grace Ministries, Inc.** as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rockville, Maryland
November 28, 2011

<i>August 31,</i>	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 87,261	\$ 390,536
Investments	2,455,106	2,117,292
Accounts receivable	36,798	28,907
Notes receivable	26,085	28,109
Prepaid expenses	78,223	44,807
Inventory	273,612	274,486
Total current assets	2,957,085	2,884,137
Property and equipment		
Land	768,170	768,170
Buildings	2,794,966	2,733,377
Furniture, fixtures and equipment	905,859	872,870
Total	4,468,995	4,374,417
Less: Accumulated depreciation and amortization	(1,297,672)	(1,181,805)
Net property and equipment	3,171,323	3,192,612
Other assets		
Deposits and other assets	5,705	1,705
Notes receivable, net of current portion	100,644	89,296
Total other assets	106,349	91,001
Total assets	\$ 6,234,757	\$ 6,167,750

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Ministries, Inc.

Statements of Financial Position

	2011	2010
Liabilities and Unrestricted Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 192,553	\$ 241,801
Grants payable	30,000	49,200
Capital lease obligation	3,514	-
Deferred revenue	71,755	67,232
Total current liabilities	297,822	358,233
Grants payable, net of current portion	74,575	94,769
Capital lease obligation, net of current portion	9,007	-
Total liabilities	381,404	453,002
Net assets		
Unrestricted		
Undesignated	3,689,206	3,559,968
Board designated		
Operating contingency	1,000,000	1,000,000
Building expansion	400,000	400,000
Building repair and replacement	45,032	100,000
Church missions	400,000	400,000
Pastors college	65,000	40,000
Total board designated	1,910,032	1,940,000
Total unrestricted	5,599,238	5,499,968
Temporarily restricted	254,115	214,780
Total net assets	5,853,353	5,714,748
Total liabilities and net assets	\$ 6,234,757	\$ 6,167,750

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Ministries, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions - churches	\$ 3,154,438	\$ 24,227	\$ 3,178,665
Contributions - other	1,611,821	29,315	1,641,136
Sales	688,542	-	688,542
Tuition and fees	32,889	-	32,889
Conference receipts	741,283	-	741,283
Investment income	96,891	-	96,891
Other income	382,367	-	382,367
Total	6,708,231	53,542	6,761,773
Net assets released from restrictions	14,207	(14,207)	-
Total support and revenue	6,722,438	39,335	6,761,773
Expenses:			
Program services			
Church missions - domestic	2,026,120	-	2,026,120
Church missions - international	926,701	-	926,701
Pastors college	619,406	-	619,406
Conferences	894,557	-	894,557
Resources	1,304,387	-	1,304,387
Total program services	5,771,171	-	5,771,171
Supporting services			
Development	243,664	-	243,664
General and administrative	608,333	-	608,333
Total supporting services	851,997	-	851,997
Total expenses	6,623,168	-	6,623,168
Change in net assets	99,270	39,335	138,605
Net assets, beginning of year	5,499,968	214,780	5,714,748
Net assets, end of year	\$ 5,599,238	\$ 254,115	\$ 5,853,353

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Ministries, Inc.

Statement of Activities and Changes in Net Assets

Year Ended August 31, 2010

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions - churches	\$ 3,249,031	\$ 107,798	\$ 3,356,829
Contributions - other	1,522,513	197,072	1,719,585
Sales	662,290	-	662,290
Tuition and fees	167,540	-	167,540
Conference receipts	363,307	-	363,307
Investment income	57,060	-	57,060
Other income	564,367	-	564,367
Total	6,586,108	304,870	6,890,978
Net assets released from restrictions	90,090	(90,090)	-
Total support and revenue	6,676,198	214,780	6,890,978
Expenses:			
Program services			
Church missions - domestic	2,139,338	-	2,139,338
Church missions - international	1,044,531	-	1,044,531
Pastors college	770,374	-	770,374
Conferences	499,538	-	499,538
Resources	1,232,858	-	1,232,858
Total program services	5,686,639	-	5,686,639
Supporting services			
Development	259,496	-	259,496
General and administrative	641,342	-	641,342
Total supporting services	900,838	-	900,838
Total expenses	6,587,477	-	6,587,477
Change in net assets	88,721	214,780	303,501
Net assets, beginning of year	5,411,247	-	5,411,247
Net assets, end of year	\$ 5,499,968	\$ 214,780	\$ 5,714,748

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Ministries, Inc.

Statements of Cash Flows

<i>Years Ended August 31,</i>	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 138,605	\$ 303,501
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation and amortization	142,331	138,669
Unrealized and realized gains on investments	(54,501)	(34,584)
Forgiveness of notes receivable from member churches	10,000	20,000
Fair value discount on grants payable	(13,125)	(22,931)
Loss on disposal of assets	2,640	-
(Increase) decrease in		
Accounts receivable	(7,891)	3,377
Prepaid expenses	(33,416)	47,121
Deposits and other assets	(4,000)	-
Inventory	874	53,785
(Decrease) increase in		
Accounts payable and accrued expenses	(49,248)	60,467
Grants payable	(26,269)	166,900
Deferred revenue	4,523	53,229
Net cash provided by operating activities	110,523	789,534
Cash flows from investing activities		
Purchase of investments	(1,453,718)	(1,237,989)
Proceeds from sales of investments	1,170,405	640,262
Purchase of property and equipment	(110,505)	(53,180)
Loans made to member churches	(55,000)	(12,000)
Proceeds from collections of loans	35,676	36,647
Net cash used by investing activities	(413,142)	(626,260)
Cash flow from financing activities		
Payments on capital lease obligation	(656)	-
Net (decrease) increase in cash and cash equivalents	(303,275)	163,274
Cash and cash equivalents at beginning of year	390,536	227,262
Cash and cash equivalents at end of year	\$ 87,261	\$ 390,536
Non-cash financing activities		
Equipment obtained through capital lease	\$ 13,177	\$ -
Supplemental cash flow information		
Actual cash payments for interest	\$ 516	\$ -

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Sovereign Grace Ministries, Inc. (SGM) is a Maryland nonprofit corporation. SGM is an association of churches and an integrated auxiliary of Covenant Life Church, Inc. (the Church) and is operated exclusively for religious, charitable and educational purposes dedicated to planting and supporting local churches with a passion for the gospel of Jesus Christ through conferences, training and resources.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows.

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Includes undesignated net assets available for general operations and board designated, which consists of unrestricted net assets designated by the Board of Directors to establish several reserves. See Note 7.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of SGM and/or the passage of time. Donor-restricted contributions are classified as unrestricted contributions when restrictions are met in the same reporting period in which the contributions are received.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of demand deposit accounts and money market funds. SGM maintains cash balances which may exceed Federally insured limits. SGM does not believe that this results in any significant credit risk.

Investments: Investments consist of equity mutual funds which are stated at fair value, based on the closing price at the date of the financial statements. Also included in investments are certificates of deposit, corporate bonds and indexed certificates of deposit which are stated at fair value. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded as unrestricted income, unless restricted by donor or law.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Accounts receivable: The face amount of accounts receivable is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portion thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. Management believes that all accounts receivable are collectible, therefore, there is no provision for doubtful accounts in the accompanying financial statements.

Notes receivable: Interest income is recognized on a daily basis based on the contractual interest rates of the individual notes receivable. SGM evaluates the notes receivable for impairment. A loan is impaired when it is probable that all amounts due under the note agreement will not be collected according to the contractual terms. If any impairment is identified, an allowance for credit loss is established. The allowance is the difference between the present value of expected future cash flows discounted at the loan's effective interest rate and the recorded investment in the note, including accrued interest. All notes are unsecured. SGM considers all notes to be fully collectible and no allowance for credit loss necessary.

Inventory: Inventory consists of books, CDs and DVDs held for resale to members of related churches and the general public. Inventory is valued at the lower of cost or market, with cost determined on a weighted average basis.

Property and equipment: Property and equipment greater than \$3,000 are capitalized at original cost or estimated fair value in the case of donated assets. Depreciation is calculated on the straight-line method over estimated useful lives of three to ten years for personal property and ten to forty years for the building and improvements.

SGM capitalized a payment of \$1,890,190 to the Church for its right to use 17,125 square feet of buildings and improvements placed in service by the Church beginning August 1, 2002. An agreement was established between SGM and the Church under which SGM is given use of the building for successive terms of ninety-nine years and the Church provides all services, maintenance and repairs required for the upkeep of the property. SGM reimburses the Church for its share of these expenses at a mutually agreed upon rate, determined annually. The agreement contains a termination provision allowing either party to end the agreement after giving 24 months notice. Under the terms of the agreement the Church would be required to make a termination payment to SGM based in part on the fair value of the building no later than 18 months before termination.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Grants payable: Grants are accrued when awarded by SGM. Grants payable expected to be paid within one year are recorded at net realizable value. Grants payable expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate equal to the prevailing local borrowing rate.

Revenue recognition:

Contributions - SGM recognizes all contributions, including unconditional promises to give, as support in the period pledged or received. Contributions restricted as to their use are recognized as temporarily restricted revenue until these funds have been disbursed or committed as the donor intended.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Sales of inventory - Sale of books, CD's and media are recorded as revenue at the time the item is shipped or downloaded.

Tuition, fees and event receipts - Amounts received for tuition for the upcoming school year or registration for future events are recognized as revenue when the event occurs or ratably over the school year.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: SGM is a nonprofit organization that is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as an organization which is not a private foundation.

SGM evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of August 31, 2011 and 2010, there are no accruals for uncertain tax positions. If applicable, SGM records interest and penalties as a component of income tax expense. Tax years from 2008 through the current year remain open for examination by tax authorities.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

3. Fair value (continued)

The fair value of investments as of August 31, 2011 and 2010 is as follows:

August 31, 2011	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds				
- domestic	\$ 340,329	\$ 340,329	\$ -	\$ -
Certificates of deposit	1,379,300	-	1,379,300	-
Indexed certificates of deposit	361,053	-	361,053	-
Corporate bonds	374,424	-	374,424	-
Total	\$ 2,455,106	\$ 340,329	\$ 2,114,777	\$ -
August 31, 2010				
Equity mutual funds				
- domestic	\$ 221,597	\$ 221,597	\$ -	\$ -
Equity mutual funds - international	67,346	67,346	-	-
Certificates of deposit	1,305,538	-	1,305,538	-
Indexed certificates of deposit	203,588	-	203,588	-
Corporate bonds	319,223	-	319,223	-
Total	\$ 2,117,292	\$ 288,913	\$ 1,828,349	\$ -

Level 2 values were developed utilizing the current interest rates for certificates of deposit with similar time to maturity, discounting the future payments to present value at year end. Corporate bond values were developed utilizing prices for identical assets in markets without active trading volumes. Indexed certificates of deposit values were developed utilizing fluctuations in the attached indexes or basket funds from the instrument's inception date to the maturity date.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

4. Notes receivable

Notes receivable consisted of the following at August 31:

	2011	2010
<p>Note from a member church dated September 2007, in the original amount of \$100,000 with an original maturity date of August 2017. Interest accrued at 5%. An addendum dated October 2008 increased the balance to \$159,826 with interest accrued at 2.40%. A second addendum dated September 2009 extended the maturity date to August 2019 with interest accrued at 3.68%. Sovereign Grace Ministries forgave \$30,000 of the note receivable in August 2009, \$20,000 in February 2010, and \$10,000 in August 2011. The note is unsecured.</p>	\$ 51,905	\$ 71,434
<p>Note from a member church dated October 2008, in the original amount of \$55,000 with an original maturity of October 2013. An addendum dated September 2009 reduced the length of the note to a maturity date of September 2012. In August 2009, Sovereign Grace Ministries forgave \$20,000 of the note receivable. The note is unsecured and interest accrues at 5% per annum.</p>	10,082	20,452
<p>Note from a member church dated September 2009, in the original amount of \$33,000 with a maturity date of December 2015. The note is unsecured. Interest accrued at 3.50%. Note was paid in full in March 2011.</p>	-	13,519
<p>Note from a member church dated February 2010, in the original amount of \$12,000 with a maturity date of August 2015. The note is unsecured. Interest accrues at 3%.</p>	9,742	12,000
<p>Note from a member church dated April 2011, in the original amount of \$55,000 with a maturity date of April 2017. Interest at 3% begins accruing April 1, 2012. The note is unsecured.</p>	55,000	-
Total	126,729	117,405
Less: Current portion	(26,085)	(28,109)
Long-term portion	\$ 100,644	\$ 89,296

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

- 5. Grants payable** As of August 31, 2011, the unpaid grant liability is expected to be paid in future years as follows:

Year Ending August 31	Total
2012	\$ 30,000
2013	30,000
2014	30,000
2015	27,700
	117,700
Less: discount to present value	(13,125)
Total	\$ 104,575

This liability, for the North Africa church plant, is recorded at the present value of estimated cash flows. SGM discounted the amount of unpaid grant liability by applying an interest rate factor of 3.0%, which approximates the local prevailing borrowing rate.

- 6. Capital lease** During fiscal year ended August 31, 2011, SGM leased mail equipment as lessee under an agreement that is classified as a capital lease. The following is a schedule by year of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of August 31, 2011:

Year Ending August 31	Total
2012	\$ 3,514
2013	3,514
2014	3,514
2015	3,514
2016	2,345
	16,401
Less: discounted to present value	(3,880)
Total	\$ 12,521

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

- 6. Capital lease (continued)** The lease matures in April 2016. The amount necessary to reduce the minimum lease payments to net present value is calculated at the interest rates implicit in the lease of 11.96%. The gross amount of assets in the statement of financial position recorded under capital leases are as follows at August 31:

	2011
Leased office equipment under capital lease	
Original asset value	\$ 13,177
Less: Accumulated amortization	(878)
Net book value at end of year	\$ 12,299
Amortization expense	\$ 878

- 7. Board designated net assets** Board designated net assets consists of the following at August 31:

	2011	2010
Operating contingency	\$ 1,000,000	\$ 1,000,000
Building expansion	400,000	400,000
Building repair and replacement	45,032	100,000
Church missions	400,000	400,000
Pastors college	65,000	40,000
Total	\$ 1,910,032	\$ 1,940,000

- 8. Temporarily restricted net assets** Temporarily restricted net assets were available for the following purposes as of August 31, 2011 and 2010 respectively:

	2011	2010
Haiti disaster relief	\$ 205,132	\$ 214,780
North Africa church plant	48,983	-
Total	\$ 254,115	\$ 214,780

As of August 31, 2011, \$104,297 of the total of \$309,429 collected for Haiti Disaster Relief has been distributed. This amount was used for food, medical and other emergency relief supplies, building equipment and repairs, and support of several trusted relief organizations. Future releases are planned for similar Haiti disaster relief efforts.

The \$48,983 of additional funds collected for the North Africa church plant will be used towards the anticipated deficit in the funding for this venture.

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

9. Related party transactions

SGM is affiliated with Covenant Life Church (the Church), and operates as an integrated auxiliary of the Church for the purpose of establishing and supporting local churches, training leaders and proclaiming the Word of God through church planting, conferences, the Pastors College, books, music and audio products.

At August 31, 2011 and 2010, SGM owed the Church \$537 and \$0, respectively, which are included in accounts payable and accrued expenses on the Statements of Financial Position. The Church owed SGM \$0 and \$1,113, which is included in accounts receivable in the accompanying financial statements. Contributions received by SGM from CLC represented 13% and 11% of total revenue for the years ended August 31, 2011 and 2010, respectively.

SGM made the following payments to the Church during the years ended August 31:

	2011	2010
Gifts to the Church	\$ 2,500	\$ -
Payments for Pastor services provided by the Church	51,352	91,108
Reimbursed expenses paid on behalf of SGM by the Church	35,950	47,574
Building operating expenses paid to the Church	88,821	73,752
Total	\$ 178,623	\$ 212,434

The Church made the following payments to SGM during the years ended August 31:

	2011	2010
Contributions made by the Church	\$ 854,228	\$ 739,313
Purchase of materials from SGM	10,669	29,926
Payments for services provided to the Church	235,633	220,396
Expenses paid on behalf of the Church	76,919	38,606
Total	\$ 1,177,449	\$ 1,028,241

Sovereign Grace Ministries, Inc.

Notes to Financial Statements

10. Retirement plan

SGM maintains a retirement plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full time employees. SGM will match each participant's salary deferred contribution to the plan based upon a formula outlined in the plan document, up to a maximum employer contribution of 4% of compensation. Effective October 1, 2010, the maximum employer contribution was reduced to 3% and the matching formula reduced to 1:1. Employees vest immediately in all employer contributions to the plan. Retirement plan expense for the years ended August 31, 2011 and 2010 was \$45,110 and \$58,914, respectively.

For the pastoral staff who are not participating in the social security system, SGM also provides an amount equal to what would have been the normal employer social security and Medicare contribution (currently 7.65% of salary), which is then to be used to purchase any combination of life insurance, disability insurance, and retirement investments. SGM paid \$55,691 and \$64,312 for the years ended August 31, 2011 and 2010, respectively.



Independent Auditor's Report on Supplementary Information

Board of Directors
Sovereign Grace Ministries, Inc.
Gaithersburg, Maryland

We have audited the financial statements of **Sovereign Grace Ministries, Inc.** as of and for the years ended August 31, 2011 and 2010, and our report thereon dated November 28, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenue and Expenses by Fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland
November 28, 2011

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Sovereign Grace Ministries, Inc.

Schedule of Revenue and Expenses by Fund

Year Ended August 31, 2011

	Program Services						Supporting Services			Total
	Church Missions Domestic	Church Missions International	Pastors College	Conferences	Resources	Total	Development	General and Administrative	Total	
Revenues										
Contributions- churches	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,178,665	\$ -	\$ 3,178,665	\$ 3,178,665
Contributions- other	8,240	166,038	40,750	2,100	-	217,128	1,424,008	-	1,424,008	1,641,136
Sales	-	-	-	-	688,542	688,542	-	-	-	688,542
Tuition and fees	-	-	32,889	-	-	32,889	-	-	-	32,889
Conference receipts	-	-	-	741,283	-	741,283	-	-	-	741,283
Investment income	-	-	1	-	-	1	-	96,890	96,890	96,891
Other income	-	2,000	79,297	66,736	197,188	345,221	-	37,146	37,146	382,367
Total revenues	8,240	168,038	152,937	810,119	885,730	2,025,064	4,602,673	134,036	4,736,709	6,761,773
Expenses										
Compensation and benefits	1,152,184	237,836	365,192	191,837	553,510	2,500,559	4,748	500,930	505,678	3,006,237
Education and training	60,948	5,440	8,217	2,234	324	77,163	-	1,927	1,927	79,090
Cost of goods sold	-	-	-	1,792	303,878	305,670	-	-	-	305,670
Gifts and grants	527,451	408,736	19,373	78,795	5,828	1,040,183	320	2,318	2,638	1,042,821
Travel and hospitality	143,643	198,478	32,843	211,383	19,654	606,001	125	47,574	47,699	653,700
Office expense	34,564	4,538	11,010	42,313	59,557	151,982	61,265	48,568	109,833	261,815
Insurance	-	8,977	2,664	-	3,220	14,861	-	20,881	20,881	35,742
Promotion	9,611	-	-	30,020	51,903	91,534	149,816	-	149,816	241,350
Information technology	6,166	2,539	952	18,675	63,270	91,602	10,103	89,691	99,794	191,396
Sound, video and lighting	-	-	148	165,040	24,101	189,289	1,333	-	1,333	190,622
Building maintenance and utilities	-	-	44,032	48,600	-	92,632	-	103,930	103,930	196,562
Building occupancy	6,646	1,729	2,054	24,073	2,062	36,564	-	5,055	5,055	41,619
Other expense	17,009	7,434	19,658	38,663	84,482	167,246	14,936	52,031	66,967	234,213
Depreciation expense	285	-	34,963	-	13,921	49,169	-	93,162	93,162	142,331
Allocation - General expenses	67,613	50,994	78,300	41,132	118,677	356,716	1,018	(357,734)	(356,716)	-
Total expenses	2,026,120	926,701	619,406	894,557	1,304,387	5,771,171	243,664	608,333	851,997	6,623,168
Excess of revenue over expense	\$ (2,017,880)	\$ (758,663)	\$ (466,469)	\$ (84,438)	\$ (418,657)	\$ (3,746,107)	\$ 4,359,009	\$ (474,297)	\$ 3,884,712	\$ 138,605

See Independent Auditor's Report on Supplementary Information.

Sovereign Grace Ministries, Inc.

Schedule of Revenue and Expenses by Fund

Year Ended August 31, 2010

	Program Services						Supporting Services			
	Church Missions Domestic	Church Missions International	Pastors College	Conferences	Resources	Total	Development	General and Administrative	Total	Total
Revenues										
Contributions- churches	\$ 20,000	\$ 121,298	\$ -	\$ -	\$ -	\$ 141,298	\$ 3,215,531	\$ -	\$ 3,215,531	\$ 3,356,829
Contributions- other	62,537	299,020	5,000	-	-	366,557	1,353,028	-	1,353,028	1,719,585
Sales	-	-	-	-	662,290	662,290	-	-	-	662,290
Tuition and fees	-	-	167,540	-	-	167,540	-	-	-	167,540
Conference receipts	-	-	-	363,307	-	363,307	-	-	-	363,307
Investment income	-	-	3	-	-	3	-	57,057	57,057	57,060
Other income	-	-	140,771	135,707	272,310	548,788	-	15,579	15,579	564,367
Total revenues	82,537	420,318	313,314	499,014	934,600	2,249,783	4,568,559	72,636	4,641,195	6,890,978
Expenses										
Compensation and benefits	1,181,675	240,867	426,580	260,301	515,013	2,624,436	3,121	545,713	548,834	3,173,270
Education and training	46,508	6,294	8,802	499	786	62,889	441	5,795	6,236	69,125
Cost of goods sold	-	-	-	-	312,242	312,242	-	-	-	312,242
Gifts and grants	630,508	560,969	73,886	8,539	4,015	1,277,917	225	2,528	2,753	1,280,670
Travel and hospitality	157,560	176,193	37,535	30,701	9,357	411,346	630	20,445	21,075	432,421
Office expense	30,885	4,317	10,618	20,882	65,114	131,816	52,425	42,075	94,500	226,316
Insurance	-	7,248	2,893	-	3,766	13,907	-	23,001	23,001	36,908
Promotion	3,244	-	-	46,580	36,416	86,240	176,012	-	176,012	262,252
Information technology	6,024	-	1,306	4,737	58,209	70,276	5,978	75,198	81,176	151,452
Sound, video and lighting	-	-	69	-	9,545	9,614	-	-	-	9,614
Building maintenance and utilities	-	-	77,488	65,700	-	143,188	-	93,178	93,178	236,366
Building occupancy	15,241	904	1,741	1,895	2,126	21,907	-	7,994	7,994	29,901
Other expense	7,460	5,533	20,815	14,092	112,216	160,116	20,117	48,038	68,155	228,271
Depreciation expense	-	-	33,893	-	13,809	47,702	-	90,967	90,967	138,669
Allocation - General expenses	60,233	42,206	74,748	45,612	90,244	313,043	547	(313,590)	(313,043)	-
Total expenses	2,139,338	1,044,531	770,374	499,538	1,232,858	5,686,639	259,496	641,342	900,838	6,587,477
Excess of revenue over expense	\$ (2,056,801)	\$ (624,213)	\$ (457,060)	\$ (524)	\$ (298,258)	\$ (3,436,856)	\$ 4,309,063	\$ (568,706)	\$ 3,740,357	\$ 303,501

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